

# SOMALIA

**Table 1** **2017**

Population, million <sup>a</sup>	12.3
GDP, current US\$ billion	6.5
GDP per capita, current US\$	450
Poverty rate (\$1.9/day 2011PPP terms) <sup>b</sup>	51.6
Gini coefficient <sup>b</sup>	38.1
School enrollment, primary (% gross) <sup>c</sup>	42.0
Life expectancy at birth, years <sup>c</sup>	55.7

Sources: WDI, IMF, UNFPA and Macro Poverty Outlook.

Notes:

(a) 2013 Population estimates by UNFPA-Population estimation Survey (PESS) 2014.

(b) 2016 Somalia High Frequency Survey; Life expectancy for 2016 from WDI; UNICEF 2012.

(c) Life expectancy for 2015 from WDI; UNICEF 2012.

*Real Growth in 2017 will decelerate due to severe drought but it is expected to pick pace in subsequent years. Although Somalia averted widespread famine in 2017, the drought led to large-scale food insecurity, affecting more than 6 million people. Inflationary pressure increased because of drought but remains low. Exchange rate remains stable. Over half of the population lives in poverty and a large proportion is sensitive to negative shocks like the recent drought.*

## Recent developments

Somalia's nominal GDP is estimated at US\$6.5 billion in 2017. Real GDP growth is set to weaken to 2.4% from 3.2% due to severe drought in the first half of 2017. Economic activity is mainly anchored in agriculture and the services sector. The agriculture sector experienced near total collapse with crop failures and reduced rural employment opportunities; widespread shortage of water and pasture; and increased livestock mortality.

Because of dollarization, both inflation and exchange rate have remained stable. Inflation fell from 4.5 percent in 2013 to 1.5 percent in 2016, although big spatial variation in prices remains. Drought and food insecurity have driven up food prices. The exchange rate remains stable at Somali Shs 22,935 to the dollar in August, 2017 due to steady remittances and donor inflows.

Implementation of fiscal policy has improved, but challenges remain. Domestic revenue has increased in nominal terms growing 11% in the year to August compared to the same period in 2016. Grants grew 23%. Domestic revenue was \$112.7 million in 2016 about 2.7% of GDP. Weak revenue mobilization has hindered the ability of the government to deliver services to citizens. Unrealistic revenue projections, coupled with weak expenditure controls, contribute to accumulation of arrears.

The large current account and trade deficits are a source of external vulnerability. The trade deficit, estimated at 47 percent

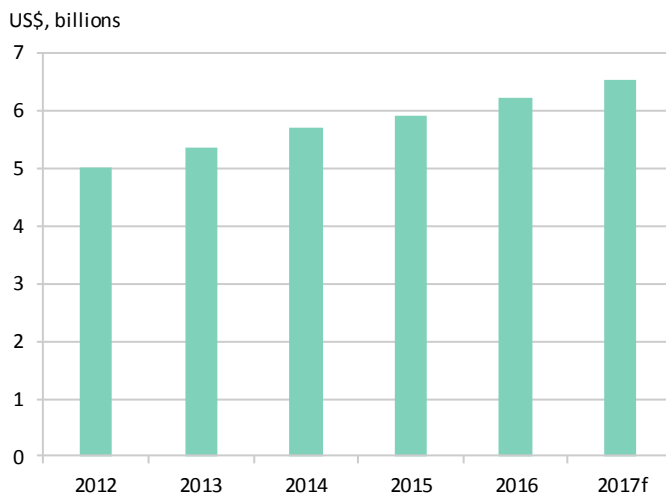
of GDP in 2016, is expected to widen due to the recent drought which will reduce exports and increase import demand. In addition, as the economy grows, more imports will be needed to power economy recovery thus worsening the current account deficit.

Poverty is widespread and large proportions of the population remain vulnerable to poverty and food insecurity. An estimated 1 in 2 Somalis lived on less than the international poverty line of US\$1.90 (2011 PPP terms) in 2016, but the prolonged drought. Somalia experienced recently may have increased that number. The drought left more than half of the country's population in need of urgent humanitarian assistance, and an estimated 1.4 million children at risk of acute malnutrition exposing the endemic vulnerability faced by the country. It triggered disease outbreaks, and created new displacements. Massive livestock deaths and price declines led to loss of livelihoods for pastoralists and increased their risk for hunger and malnutrition. Widespread famine was averted thanks partly to the over \$900 million in support from development partners. However, 3 million people are still in need of humanitarian assistance.

## Outlook

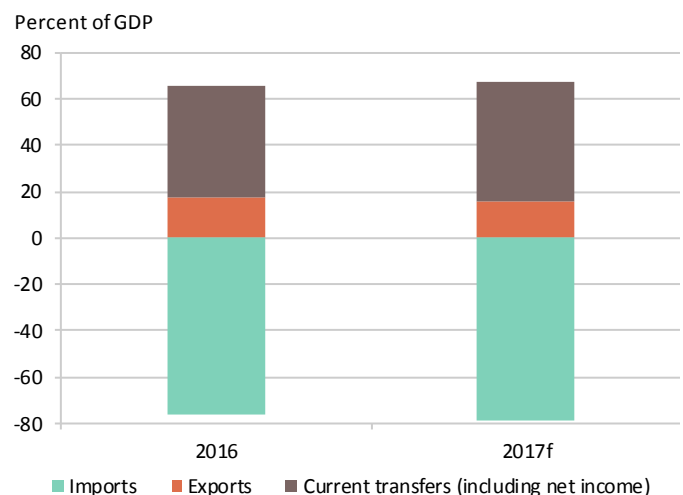
Real GDP growth in 2017 will decelerate due to severe drought but it is expected to revert to the post-2011 trend in 2018–19. The economy is projected to grow at an average rate of 4–5% in the next three

**FIGURE 1 Somalia / Nominal GDP**



Sources: International Monetary Fund (IMF) and World Bank staff estimates.

**FIGURE 2 Somalia / Trade balance**



Source: IMF Country Report, July 2017.

years, driven by aggregate demand fueled by a vibrant private sector, remittances, lower oil prices, and improved security. Weak public capital investment remains a critical binding constraint. Somalia continues to build a track record of reform with satisfactory completion of the first Staff Monitored Program under the IMF and approval of a new one (May 2017–April 2018) in July 2017. This gives the country an opportunity to establish a pathway towards clearing arrears and debt relief in years to come.

Recovery from the impact of the drought takes times and continued humanitarian needs are likely to persist as the population and economy regain their footing. Pastoral families may face significant challenges in restoring their wellbeing as the loss of livestock represents a significant permanent loss in livelihoods and assets. Populations in areas affected by the drought are highly vulnerable to

deteriorating health and nutritional conditions. Building resilience to shocks at the national and household level and providing greater access to basic services and social safety nets is critical to reducing vulnerability over the medium term. More equitable access to quality education and health services, infrastructure and social protection programs, customized to a highly fragile context, will help reduce poverty and inequality.

## Risks and challenges

Although Somalia's economy remains stable, continued conflict continues to pose an important risk to economic activity in the medium term. The growth outlook of 5-7 percent is predicated on building the security gains so far achieved, development partners continued support of

government programs, and a quick recovery of livestock exports from the effects of devastating drought. The new administration has identified security and diminishing the capabilities of Al Shabaab as a base of economy recovery. With the help of AMISOM and other agencies, the FGS is restructuring its security forces to improve security in Mogadishu and working with Federal member states to enhance stability. The economy is reliant on external grants to finance activities on budget and off budget. It is expected that this will continue to support infrastructure and social services. The outlook also presupposes that the livestock sector will recover from the debilitating drought through a program of re-stocking. This is important not only for the livelihood recovery (through safety nets and provision of basic services) but is also for livestock exports which is important for forex earnings.

**TABLE 2** Somalia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2012	2013	2014	2015	2016	2017 f
<b>Real GDP growth, at constant market prices</b>	..	2.8	3.6	3.6	3.2	2.4
Private Consumption (% of GDP)	137.0	134.4	137.3	139.4	143.6	147.9
Government Consumption (% of GDP)	2.2	5.1	7.1	6.9	7.3	8.4
Gross Fixed Capital Investment (% of GDP)	5.0	8.0	7.9	8.0	7.9	8.0
Exports, Goods and Services (% of GDP)	11.7	16.5	19.2	20.5	17.8	15.8
Imports, Goods and Services (% of GDP)	56.2	64.4	71.7	75.1	76.4	78.7
<b>Real GDP growth, at constant factor prices</b>	..	2.8	3.6	3.2	2.4	3.9
<b>Inflation (Consumer Price Index)</b>	..	4.5	1.3	1.4	2.3	2.9
<b>Current Account Balance (% of GDP)</b>	..	-4.8	-6.3	-7.2	-10.1	-11.1
<b>Poverty rate (\$1.9/day PPP terms)<sup>a,b</sup></b>	..	..	..	..	51.6	..

Sources: World Bank (2016) and IMF (2016).

Notes: e = estimate, f = forecast.

(a) Calculations based on 2016 Somalia High Frequency Survey.

(b) Poverty projections based on neutral distribution growth with a 50 percent pass-through.